

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 L-03 EB-08 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 DOE-11 H-01 INR-10 INT-05
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 /117 R

DRAFTED BY NEA/ARP:J J ZIOLKOWSKI:LB
APPROVED BY NEA:S SOBER
NEA/ARP:J R COUNTRYMAN
L/NEA:M PEAY (DRAFT)
EB/ORF/FSE:D HART (SUBS)
-----017925 150016Z /75

P 142234Z PEB 78
FM SECSTATE WASHDC
TO AMEMBASSY DOHA PRIORITY

C O N F I D E N T I A L STATE 039045

E.O. 11652: GDS

TAGS: BDIS, ENRG

SUBJECT: GOQ MAY CANCEL AGREEMENT WITH HOLCAR OIL
COMPANY

1. R. EUGENE HOLLEY, PARTNER IN HOLCAR OIL COMPANY, CALLED AT DEPARTMENT FEBRUARY 13 TO INFORM US OF PROBLEM BETWEEN COMPANY AND GOQ DEPARTMENT OF PETROLEUM AFFAIRS WHICH MAY RESULT IN CANCELLATION OF PRODUCTION SHARING AGREEMENT WHICH HOLCAR HAS WITH GOQ. FOLLOWING IS BACKGROUND: HOLCAR IS A CORPORATION REGISTERED IN GRAND CAYMAN ISLANDS BUT OWNED BY TWO U.S. CITIZENS, HOLLEY AND ROY C. CARVER. ON JANUARY 1, 1976, THE COMPANY NEGOTIATED PRODUCTION SHARING AGREEMENT WITH GOQ TO EXPLORE AND PRODUCE IN WATERS SOUTH-EAST OF QATARI PENINSULA AND NEAR BUNDUQ FIELD. AGREEMENT WAS NEGOTIATED WITH THEN DIRECTOR OF PETROLEUM AFFAIRS ALI CONFIDENTIAL

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JAIDEH AND SIGNED BY SHAIKH ABDULAZIZ BIN KHALIFA, MINISTER OF FINANCE AND PETROLEUM. AGREEMENT CALLS FOR HOLCAR TO SPEND, OVER AN INITIAL 24-MONTH PERIOD, APPROXIMATELY DOLS 6 MILLION FOR EXPLORATION AND DRILLING, INCLUDING FIVE WORKOVER WELLS AND THREE NEW WELLS. CONTRACT CALLS FOR EXTENSIONS IN TWO-YEAR INCREMENTS FOR TOTAL OF 30 YEARS.

2. ACCORDING TO HOLLEY, HOLCAR HAS BEEN UNABLE TO MEET SCHEDULE FOR WORKING OVER OLD WELLS AND NEW DRILLING FOR

NUMBER OF TECHNICAL REASONS. FAULTY OR UNUSABLE EQUIPMENT IN OLD WELLS REQUIRED REPLACEMENT AND ADDED INVESTMENT. MAJOR PROBLEM OCCURRED WITH UNFORESEEN PRESENCE OF SULFUR IN CRUDE. HOLCAR, ACCORDING TO HOLLEY, SPENT MUCH ADDITIONAL CAPITAL AND TIME TO DEVISE MEANS OF EXTRACTING SULFUR FROM CRUDE. OTHER TECHNICAL PROBLEMS AND DELAYS RESULTED IN THE COMPANY'S NOW APPROACHING END OF INITIAL TWO-YEAR CONTRACT PERIOD WITHOUT HAVING COMPLETED WORK PROGRAM ALTHOUGH IT HAS INCREASED ITS INVESTMENT TO APPROXIMATELY DOLS 14 MILLION, ACCORDING TO HOLLEY.

3. TOWARD END OF 1977, HOLCAR APPROACHED ATTOCK OIL COMPANY, LTD., WHICH HAS OPERATED IN PAKISTAN FOR SOME TIME TO TAKE MAJORITY POSITION IN HOLCAR OPERATION. ATTOCK'S PRESENCE WOULD GIVE HOLCAR NEEDED CAPITAL TO CONTINUE PROGRAM AND ADD TECHNICAL EXPERTISE WHICH HOLCAR LACKS. (HOLCAR TO DATE HAS HAD TO SUBCONTRACT FOR ADDITIONAL EQUIPMENT AND SERVICES, WHICH IN PART ACCOUNTS FOR ITS DOLS 14 MILLION INVESTMENT.) ATTOCK, HOWEVER, WOULD NOT COMMIT ITSELF TO JOIN HOLCAR UNLESS IT HAD CONFIRMATION THAT CONCESSION AGREEMENT WOULD BE CONTINUED FOR ANOTHER TWO-YEAR PERIOD.

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4. DELEGATION OF HOLCAR AND ATTOCK REPRESENTATIVES VISITED QATAR IN LATE 1977 TO DISCUSS CONTINUANCE OF CONCESSION AGREEMENT WITH OFFICIALS IN MINISTRY OF FINANCE AND PETROLEUM. AFTER TALKS, ACCORDING TO HOLLEY, MINISTER OF FINANCE AND PETROLEUM SHAIKH ABDULAZIZ INDICATED THAT CONTRACT WOULD BE CONTINUED. WHEN DELEGATION RETURNED IN JANUARY FOR ADDITIONAL TALKS, HOWEVER, HOLLEY WAS INFORMED THAT MINISTER HAD DECIDED TO CANCEL HOLCAR'S CONCESSION CITING NON-PERFORMANCE OF WORK PROGRAM AS CALLED FOR IN CONTRACT. CONCESSION ALLEGEDLY IS TO BE LET OUT FOR BIDDING WITH NEW REQUIREMENTS INCLUDING A LARGER WORK PROGRAM, HOLCAR HAS LEARNED FROM GHAITH PHARAON, SAUDI BUSINESSMAN, WHO IS MEMBER OF ATTOCK BOARD OF DIRECTORS AND WHO, ACCORDING TO HOLLEY, HAD HAD TWO PRIVATE MEETINGS WITH SHAIKH ABDULAZIZ BETWEEN DECEMBER 1977 AND EARLY 1978. HOLCAR SAYS IT HAS REASON TO SUSPECT THAT PHARAON MAY BE ENGAGING IN DOUBLE-DEALING BY APPEARING TO BE SEEKING A TWO-YEAR EXTENSION FOR HOLCAR IN PARTNERSHIP WITH ATTOCK BUT ACTUALLY TRYING TO SUBSTITUTE HIS OWN FIRM (ATTOCK) FOR HOLCAR.

5. HOLCAR HAS NOT YET RECEIVED OFFICIAL NOTICE THAT ITS AGREEMENT HAS BEEN CANCELLED AND SO FAR AS COMPANY OFFICIALS ARE AWARE, NEW CONCESSION HAS NOT YET

BEEN LET. HOLLEY HAS ASKED THAT EMBASSY INTERCEDE WITH GOQ THROUGH AMBASSADOR TO AMIR OR AMBASSADOR TO MINISTER

APPROACH TO ASK GOQ TO POSTPONE DECISION ON CANCELLATION OF HOLCAR'S CONCESSION UNTIL COMPANY HAS ANOTHER CHANCE TO PRESENT ITS CASE. HOLLEY WOULD ALSO LIKE EMBASSY TO REQUEST APPOINTMENT FOR HOLCAR WITH SHAIKH ABDULAZIZ FEBRUARY 18, 19, OR 20. HOLLEY AND OTHER HOLCAR REPS WOULD LIKE TO MEET WITH AMBASSADOR BEFORE MEETING WITH GOQ OFFICIALS TO FURTHER DISCUSS MATTER.

6. ACTION REQUESTED: DEPARTMENT FEELS THAT REQUEST TO CONFIDENTIAL

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GOQ TO POSTPONE DECISION ON HOLCAR'S CONCESSION UNTIL COMPANY REPRESENTATIVES CAN MEET WITH APPROPRIATE OFFICIAL IS REASONABLE, BASED ON FOREGOING INFORMATION. THEREFORE, UNLESS YOU HAVE INFORMATION WHICH WOULD DICTATE ANOTHER COURSE OF ACTION, REQUEST YOU MAKE APPROACH AT APPROPRIATE LEVEL TO ASK THAT GOQ DELAY DECISION PENDING A MEETING WITH MR. HOLLEY AND OTHER COMPANY OFFICIALS. REQUEST YOU ALSO ARRANGE APPOINTMENT FOR HOLLEY WITH MINISTER OF FIN AND PET ON FEBRUARY 18, 19 OR 20. IN MAKING YOUR REQUEST YOU MAY DRAW ON FOLLOWING POINTS:

-- HOLLEY AND HIS PARTNER HAVE INVESTED CONSIDERABLE EFFORT AND MONEY IN GOOD FAITH ATTEMPT TO FULFILL CONTRACT DESPITE UNFORESEEABLE AND COSTLY TECHNICAL PROBLEMS.

-- EXTENSION OF CONCESSION AGREEMENT WILL ENABLE HOLCAR TO BRING IN ANOTHER PARTNER (ATTOCK) WHICH WILL ENABLE OPERATION TO CONTINUE TO THE BENEFIT OF BOTH GOQ AND HOLCAR.

-- USG IS NOT REPEAT NOT TAKING POSITION ON PERFORMANCE OF CONTRACT BUT IS ATTEMPTING TO FACILITATE MEETING BETWEEN QATARI OFFICIALS AND U.S. BUSINESSMEN.
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INFO OCT-01 ISO-00 /011 R

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DRAFTED BY: NEA/ARP:JJ ZIOLKOWSKI

APPROVED BY: JW TWINAM

NEA/PAB: H LUCIUS

-----095412 182011Z /70

R 181004Z FEB 78

FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

AMCONSUL LAHORE
AMCONSUL PESHAWAR

C O N F I D E N T I A L STATE 039045

FOL TEL SENT ACTION DOHA FROM SECSTATE DTD 14 FEB 1978 QTE

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VANCE UNQ VANCE

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Secure: OPEN
Status: NATIVE
Subject: GOQ MAY CANCEL AGREEMENT WITH HOLCAR OIL COMPANY
TAGS: BDIS, ENRG
To: DOHA
Type: TE
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